Proceedings of the Government of His Highness the Maharaja of Mysore.

No. FL. 2095—B. 4-08-9, DATED 5TH NOVEMBER 1908.

ORDER—The following Resolution of the Government of India on the Administration of the Co-operative Credit Societies Act during the fifteen months ending 30th June 1907, is published for the information of District Officers and of the general public.

K. S. CHANDRASEKHARA AIYAR,
Secy. to Govt., Gen. & Rev. Depts.

No. 2—188-1.

GOVERNMENT OF INDIA.

DEPARTMENT OF REVENUE AND AGRICULTURE.

LAND REVENUE.

Dated Calcutta, the 25th March 1908.

READ—

The reports received from Local Governments on the administration of the Co-operative Credit Societies Act (Act X of 1904), during the fifteen months ending 30th June 1907.

The proceedings of the conference of Registrars of Co-operative Credit Societies held in Calcutta on the 18th November 1907 and following days.

RESOLUTION.

After the passing of the Co-operative Credit Societies Act in March 1904, a Registrar was appointed in each province to carry out the formal duties imposed upon that officer by the Act and to foster in every possible way the growth of the co-operative movement in India. In the instructions issued by the Government of India after the passing of the Act, stress was laid on the necessity of reducing restrictions to a minimum, so that the people might be encouraged (subject to certain necessary safeguards) to work out the problem on their own lines with such guidance and help as could be given to them. Local Governments were invited to select a few districts in each province in which the experiment might be most hopefully tried, and it was pointed out that it would be advisable to start cautiously and to progress gradually, since the principle of co-operation might be fatally discredited by a series of failures, whereas a few really successful results would encourage imitation and set an example which would quickly spread.

2. On the 31st March 1905, thirty-five rural and six urban societies with a capital Rs. 54,128 had been registered under the Act, but there were also, especially in the United Provinces, a considerable number of societies at work that had not been formally registered. A year later the Registrars were supervising the work of 490 societies, but of these over 200 were either not working actively or had not been registered under the Act. The total number of active societies registered under the Act on the 31st March 1906 was 283, of which 9 were central societies, 37 were urban societies and 237 were rural societies. They had a membership of 21,629 and a working capital of Rs. 4,73,219. In accordance with the recommendation of the first conference of Registrars which was held in September 1906, the 30th June was fixed as the end of the Co-operative Credit Societies' year and the reports and returns now submitted accordingly cover a period of fifteen months. The following table compares the statistics of registered societies on the 30th June 1907 and on the 31st March 1906 :—

	31st March 1906.	30th June 1907.
No. of Societies.	Rs.	Rs.
Central	9	14
Urban	37	89
Rural	237	743
Total ...	283	846
Number of members	28,629	91,343
Capital.	Rs.	Rs.
Loans from private persons ...	1,40,539	6,56,092
Share capital	1,31,205	5,55,805
Deposits by members	1,23,925	5,76,025
State aid	70,152	2,84,758
Reserve	7,398	58,593
Total. ...	4,73,219	21,31,258

	31st March 1906	30th June 1907.
Expenditure.	Rs.	Rs.
Loans repaid to private persons ...	20,352	1,31,185
Loans issued to members ..	3,40,440	23,83,971
Purchase of raw material and stores ...	1,01,313	3,15,679
Profits	*26,559	1,12,614
Total ..	4,88,664	29,63,449

The expansion of business is very remarkable though it is exaggerated by the omission from the returns of 1906, as now prepared, of societies which were actually working without having been registered. After full allowance is made for this cause however the material progress made has been much greater than was anticipated when the movement started. It is also satisfactory that out of the total capital of over 21 lakhs less than 3 lakhs has been advanced by Government, while over 11 lakhs has been advanced by the members themselves as share capital and deposits. The work of the State has been as far as possible confined to the encouragement of societies in their initial stages.

3. Other satisfactory features in the reports are the punctuality with which loans have been repaid and the fact that the purposes to which the money lent has been applied have been almost exclusively productive, although this matter has hitherto been left entirely to the societies themselves. It is observed that the Burma Registrar is of opinion that owing to the improvident habits of the cultivators in that country, it would be advisable to lay down a rule restricting the grant of loans to those given for productive purposes, but elsewhere there is no indication that this is necessary or that the increased facilities for borrowing afforded by the societies have led to a misuse of credit and to greater indebtedness.

4. But while the progress made is satisfactory, the movement has so far touched only the fringe of the vast population concerned. The 90,000 members of existing societies represent only a minute fraction of the numbers which must eventually be brought within the scope of the movement, if co-operative credit is to produce any marked effect on the problem of agricultural indebtedness in India. It would not be prudent at the present stage to press for too rapid an advance, but it is noticed that the main obstacle to expansion is the failure of the societies to attract outside capital. The deposits made by members are satisfactory so far as they go, but though the large amount of members' deposits obtained in some provinces is remarkable, comparatively little can be expected from this source until the poorer members have benefited sufficiently to be in a position to save. In many places, well-to-do persons have joined the societies from philanthropic motives and their pecuniary contributions together with their personal influence have been of great value. But it would be unsound to depend on assistance of this nature for the establishment of the movement on a widespread and permanent basis, and one of the most important problems to be solved in the immediate future is to obtain for the societies access to the outside money market. Something has already been effected in this direction in Madras, Burma and Bengal, where the rate of interest offered by the societies is higher than elsewhere. It will be impossible to attract outside capital without paying a comparatively high rate of interest and the societies will find it difficult to establish themselves on a permanent basis, unless they attract outside capital on business terms.

5. Another problem raised by the expansion of the movement is the best method of organising and combining societies for the purposes of control. The personal control of the Registrar over individual societies must diminish as they increase in number. In the United Provinces this difficulty is being met with apparent success by the establishment of District banks to which the rural societies are affiliated. Elsewhere local unions of rural societies are being formed. It is becoming recognised that the combination of village societies for the purposes of finance and control is as important as the combination of individuals for the purpose of forming a single society and that the combination of societies is intimately connected with the problem of giving them access to the outside money market. Time and experience alone can show whether the combination of societies can best be effected from above or from below.

6. As regards the question of State aid from Government, the majority of the Registrars consider that the present rules under which Government loans are only made against an equal amount of deposits made by members make adequate provision for the encouragement of societies in their initial stages, and it seems to be advisable that this restriction should continue except in cases where for special reasons it is desirable to form societies which could not comply with this requirement. The concession is at present limited to rural societies and a proposal to extend it to urban societies is being referred to Local Governments for consideration. Several Registrars consider that a special procedure for the recovery of debts due to societies would do much to improve their credit, but the Government of India are inclined to think that there is much force in the argument that there is a danger that the introduction of such a special procedure would lead to less care in the management of the societies, and so far there has been no indication that a special procedure is necessary. On the contrary, the punctuality with which loans have been repaid is one of the most satisfactory features of the movement.

* Profits inclusive of reserve fund.

7. In their reports the Registrars deal with the problem of their respective provinces on thoughtful and sympathetic lines, and the interest which they have shown in making themselves acquainted with the principles and procedure which have proved successful in other countries is most satisfactory. Genuine advance has been made everywhere, except in Ajmer and the North-West Frontier Province where the movement has not yet taken root. But the lines on which progress is being made are by no means stereotyped, and provided main principles are not infringed the societies are rightly allowed a large amount of elasticity in their working. The results so far achieved give every reason for the hope that the problem of founding individual credit societies in India will be successfully solved and that the system will take root and spread, while the spirit shown by all who have taken part in the movement is a hopeful augury that the larger questions connected with the combination of individual societies for the purposes of finance and control will in due time be satisfactorily settled. The failure of crops in a large part of the country in the present year will subject the societies to a severe strain, and the result of their working during the period of trial will be looked forward to with special interest. The Government of India desire to associate themselves with the Local Governments in their appreciation of the good work done by the several Registrars and of the valuable assistance received from non-official gentlemen in many provinces.

ORDERED, that the above Resolution be communicated to all Local Governments and Administrations and that it be published in the Supplement to the *Gazette of India*.

To the Government of Madras.
" do do Bombay.
" do do Bengal.
" do do the United Provinces.
" do do the Punjab.
" do do Burma.
" do do Eastern Bengal and Assam.
" Honourable the Chief Commissioner, Central Provinces.
" hief Commissioner, Coorg.
" " do Ajmer.
" Honourable the Chief Commissioner, North-West Frontier Province.

R. W. CARLYLE
Secretary to the Government of India.